

## Message Text

LIMITED OFFICIAL USE

PAGE 01 CARACA 10783 161612Z

62

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 CIAE-00 INR-07 NSAE-00

TRSE-00 OMB-01 AID-05 L-03 SP-02 PRS-01 PA-01 USIA-06

/049 W

----- 000764

R 152255Z OCT 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 545

INFO USDOC WASHDC

LIMITED OFFICIAL USE CARACAS 10783

E.O. 11652: N/A

TAGS: EAGR, ETRD, VE

SUBJECT: GOV AGRICULTURE POLICY

1. SUMMARY. VENEZUELAN PRESIDENT PEREZ RECENTLY MADE AN AGRICULTURAL POLICY SPEECH IN WHICH HE ANNOUNCED HIS INTENT TO: A) RAISE PRODUCER PRICES FOR SEVERAL IMPORTANT AGRICULTURAL COMMODITIES; B) REDUCE THE GOV SUBSIDY PAID TO WHEAT PROCESSORS; C) REDUCE IMPORTED TRACTOR PRICES TO END-USERS BY 30 PERCENT; D) NATIONALIZE IMPORTANT FIRMS IN THE ANIMAL FEED AND DAIRY PRODUCTS PROCESSING INDUSTRIES; E) REQUIRE VENEZUELAN COMMERCIAL BANKS TO EXTEND MORE CREDIT TO THE AGRICULTURE SECTOR, AND F) SET CEILING PRICES ON SOME PHARMACEUTICAL AND CLOTHING ITEMS. MOST OF THE DETAILS OF HOW THESE MEASURES ARE TO BE IMPLEMENTED ARE STILL UNKNOWN.

HOWEVER, THE PLAN TO INCREASE GOVERNMENT-SUPPORTED PRICES FOR IMPORTANT CROPS IS LIKELY TO BE AN IMPORTANT AND NECESSARY STIMULANT TO VENEZUELA'S SOMEWHAT SLUGGISH AGRICULTURAL SECTOR. END SUMMARY.

2. ON OCTOBER 5, 1975 VENEZUELAN PRESIDENT CARLOS ANDRES PEREZ MADE A LONG-AWAITED POLICY SPEECH WHICH SUMMARIZED EXISTING PROGRAMS AND INTRODUCED NEW PROGRAMS INTENDED TO STIMULATE THE GROWTH OF VENEZUELA'S AGRICULTURAL SECTOR. THE SPEECH ALSO INCLUDED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 10783 161612Z

ANNOUNCEMENTS FOR RETAIL PRICE CONTROLS ON PHARMACEUTICAL AND

CLOTHING PRODUCTS.

3. PRESIDENT PEREZ' SPEECH, WHICH LASTED APPROXIMATELY ONE HOUR, RESPONDED TO WIDESPREAD AND FREQUENTLY-VOICED CONCERN AMONG AGRICULTURAL PRODUCER ASSOCIATIONS THAT GOVERNMENT PRICE CONTROLS DID NOT PROVIDE FAIR COMPENSATION. IN THE WEEK PRECEDING PRESIDENT PEREZ' ADDRESS, HE MET WITH MAJOR PRODUCER ASSOCIATIONS AND OFFICIALS OF SEVERAL OF THE MINISTRIES WHICH HAVE AGRICULTURAL POLICY RESPONSIBILITY TO WORK OUT DETAILS OF THE NEW GOVERNMENT POLICIES.

4. IN HIS SPEECH, PRESIDENT PEREZ ANNOUNCED THAT EFFECTIVE JANUARY 1, 1976 FARMERS WILL RECEIVE BS. 100 PER TON INCREASES FOR THEIR DELIVERIES OF CORN, SORGHUM, SESAME, PEANUTS, AND SUNFLOWER SEED. IN ADDITION, FARMERS WHO EXCEED PRODUCTIVITY GOALS (NOT YET SPECIFIED) ARE TO RECEIVE BONUSES OF BETWEEN BS. 100 AND 300 PER TON.

5. PRESIDENT PEREZ INDICATED HIS EXPECTATION THAT WITH FALLING WORLD MARKET WHEAT PRICES, THE GOV'S SUBSIDY COULD BE REDUCED FROM BS. 450 MILLION TO BS. 300 MILLION. HE FURTHER SAID THAT THE WHEAT SUBSIDY IS PAID IN DOLLARS, AND THAT THE NATIONAL INTEREST LIES IN THE SUBSTITUTION OF NATIONALLY PRODUCED CORN AND RICE AND THAT THOSE WHO WOULD CONTINUE TO CONSUME IMPORTED WHEAT SHOULD PAY WORLD MARKET PRICES. ESTIMATES PLACE 1976 WHEAT IMPORTS AT 758,000 METRIC TONS.

6. PRESIDENT PEREZ MADE REFERENCE TO EARLIER ACTION TO REGULATE FARM IMPLEMENT PRICES IN STATING THAT TRACTOR PRICES WOULD BE REDUCED BY 30 PERCENT. THESE PRICE REGULATIONS ARE SEEN PRIMARILY AS AN ATTEMPT TO LIMIT DEALER SPECULATION. SOME MONTHS AGO, WHILE DISCUSSING FARM IMPLEMENT PRICE CONTROLS (WHICH ARE, WITH A SINGLE EXCEPTION, APPLIED ONLY AGAINST DOMESTICALLY PRODUCED EQUIPMENT) A REPRESENTATIVE OF THE MINISTRY OF DEVELOPMENT TOLD EMBOFF THAT THE PROJECTED PRICE CONTROLS ON TRACTORS WOULD FIX MAXIMUM DEALER MARKUPS ON IMPORTED TRACTORS. SINCE PEREZ' SPEECH, EMBOFF HAS SPOKEN WITH THREE LEADING LOCAL TRACTOR DEALERS WHO ALL DISCLAIM AN UNDERSTANDING OF HOW PRESIDENT PEREZ INTENDS TO ACCOMPLISH THE PROPOSED REDUCTION, AS CURRENT DEALER MARGINS ARE BARELY 30 PERCENT. GOVERNMENT SUBSIDIES SEEM THE STRONGEST POSSIBILITY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CARACA 10783 161612Z

7. PRESIDENT PEREZ STATED THAT THE GOVERNMENT WILL NATIONALIZE AN UNNAMED FOREIGN ANIMAL FEED PRODUCER (WHICH LIKELY IS RALSTON PURINA) AND INDUSTRIAS LACTEAS DE VENEZUELA (INDULAC) IN WHICH BORDEN AND NESTLE HAVE MINORITY PARTICIPATION.

8. IN ORDER TO FURTHER FACILITATE CREDIT AVAILABILITY TO THE AGRICULTURAL SECTION, PRESIDENT PEREZ HAS DECREED THAT BY MARCH 31, 1977, PRIVATE COMMERCIAL BANKS IN VENEZUELA MUST PLACE A MINIMUM OF

20 PERCENT OF THEIR LOAN PORTFOLIO IN THE AGRICULTURAL SECTOR, WITH SEVERAL INTERMEDIATE PERCENTAGE COMPLIANCE DEADLINES, BEGINNING WITH 5 PERCENT BY THE END OF THE YEAR.

9. RETAIL CEILING PRICES FOR SOME PHARMACEUTICALS ARE TO BE LOWERED. THE REDUCTIONS WILL AFFECT 132 PHARMACEUTICAL PRODUCTS, OF WHICH 56 ARE PRODUCED BY VENEZUELAN FIRMS, AND 76 OF WHICH ARE PRODUCED BY FOREIGN FIRMS. THE REDUCTIONS WILL RANGE BETWEEN 1 AND 7 BOLIVARES FOR PRODUCTS OF VENEZUELAN LABORATORIES AND BETWEEN 1 AND 15 BOLIVARES FOR PRODUCTS OF FOREIGN LABORATORIES. THIS MEASURE INCLUDES A PROVISION THAT NATIONAL FIRMS BE GIVEN PREFERENTIAL CONSIDERATION IN GOVERNMENT PURCHASES.

10. RETAIL CEILING PRICES ARE TO BE LOWERED TO BS. 160 FOR A PAIR OF TOP QUALITY ADULT SHOES AND BS. 60 FOR A PAIR OF TOP QUALITY CHILDREN'S SHOES. LOWER CEILING PRICES HAVE BEEN SET FOR SHOES OF LESSER QUALITY. THE REDUCTIONS RANGE BETWEEN 15 AND 40 PERCENT.

11. COMMENT. THE OUTPUT OF VENEZUELA'S AGRICULTURAL SECTOR HAS RECENTLY LAGGED BEHIND THE RATE OF POPULATION INCREASE, AND IMPORTS OF FOODSTUFFS HAVE RISEN FROM 13.9 PERCENT OF TOTAL CONSUMPTION IN 1970, TO 19 PERCENT IN 1973. THIS HAS OCCURRED IN SPITE OF (1) EXTENSIVE LOW INTEREST, LONG TERM PUBLIC CREDIT BEING DIRECTED TO THE AGRICULTURAL SECTOR (2) THE GRANTING OF TAX EXONERATIONS ON FARM INCOME AND INCOME FROM OTHER SECTORS WHICH IS REINVESTED IN THE AGRICULTURAL SECTOR (3) THE GRANTING OF SUBSIDIES TO FERTILIZER PRODUCERS AND (4) THE CONSTRUCTION OF MAJOR RURAL INFRASTRUCTURE PROGRAMS SUCH AS ROADS, WELLS, DAMS, AND IRRIGATION SYSTEMS. THE AD GOVERNMENT OF PRESIDENT PEREZ SEEMS ACUTELY AWARE THAT ADDITIONAL MEASURES MUST BE TAKEN TO STIMULATE THE AGRICULTURAL SECTOR AS THE MEANS TO SOLVE PROBLEMS OF UNEQUAL INCOME DISTRIBUTION, INDUSTRIAL OVER-CENTRALIZATION, OVER-CONCENTRATION OF POPULATION IN URBAN AREAS, AND A SUBSTANTIAL (BS. 2 BILLION IN 1974) LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 CARACA 10783 161612Z

AGRICULTURAL PRODUCT TRADE DEFICIT. IN EARLIER STATEMENTS, VENEZUELAN

GOVERNMENT OFFICIALS HAVE POINTED OUT THAT INCREASED GOVERNMENT EXPENDITURES COULD BE EXPECTED TO ACCELERATE INFLATION IN ALL BUT TWO SECTORS, EDUCATION AND AGRICULTURE, WHERE THESE EXPENDITURES HAVE THE POTENTIAL FOR THE REVERSE EFFECT. THE MEASURES JUST ANNOUNCED MAY TAKE VENEZUELA FURTHER ALONG THE ROAD TO ACHIEVING PRESIDENT PEREZ' GOALS OF AN AVERAGE ANNUAL 11.8 PERCENT GROWTH IN AGRICULTURAL SECTOR OUTPUT DURING THE PERIOD 1974-1979, WHICH WILL BE NECESSARY TO ACCOMPLISH THE 8.0 PERCENT GNP SHARE FOR AGRICULTURE TARGETED FOR 1979. SHLAUDEMAM

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, NATIONALIZATION, AGRICULTURAL PROGRAMS, PRICES, SPEECHES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975CARACA10783  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750359-0974  
**From:** CARACAS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19751052/aaaabuko.tel  
**Line Count:** 166  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 12 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <12 SEP 2003 by RowellE0>; APPROVED <09 OCT 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOV AGRICULTURE POLICY  
**TAGS:** EAGR, ETRD, VE, (PEREZ, CARLOS ANDRES)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006